



STEVE COOLEY
LOS ANGELES COUNTY DISTRICT ATTORNEY

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May 3, 2005

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

Dear Supervisors:

**AUTHORIZE THE DISTRICT ATTORNEY TO ACCEPT 12th YEAR GRANT FUNDS
FROM THE STATE OF CALIFORNIA, DEPARTMENT OF INSURANCE,
(SCDI), FOR THE AUTOMOBILE INSURANCE FRAUD (AIF) PROGRAM
FOR FISCAL YEAR 2004-05 (ALL DISTRICTS) (3-VOTES)**

IT IS RECOMMENDED THAT YOUR BOARD:

1. Adopt the enclosed Resolution authorizing the District Attorney to accept grant funds for the AIF Program from SCDI. Funds in the amount of \$5,128,995 will be provided by SCDI for the period of July 1, 2004 through June 30, 2005 to fully offset program costs.
2. Authorize the District Attorney to execute the Grant Award Agreement on behalf of the County of Los Angeles.
3. Authorize the District Attorney or his designee, on behalf of the County of Los Angeles, to serve as project director and to sign and approve any revisions to the Grant Award Agreement that do not affect the net County cost of the Agreement.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

On July 15, 2004, the District Attorney submitted an application to SCDI to continue funding for the AIF Program in FY 2004-05. A Grant Award Letter was received on February 8, 2005 in the amount of \$5,128,995. The SCDI has awarded funding for the AIF Program for the past eleven years. The grant will allow the District Attorney to continue enhanced prosecutorial efforts and criminal investigations of automobile insurance fraud activity in Los Angeles County.

As part of the Grant Award Agreement, SCDI requires the adoption of the enclosed resolution, which has been approved as to form by County Counsel.

Implementation of Strategic Plan Goals

Acceptance of the grant funds supports the County's Strategic Plan Goal No. 4, Fiscal Responsibility, by securing an available revenue source at the State level. This program directly supports the District Attorney's core mission of vigorously prosecuting felony crime, such as automobile insurance fraud, throughout the County.

FISCAL IMPACT/FINANCING

Grant funds in the amount of \$5,128,995 have been awarded to the Los Angeles County District Attorney for the AIF Program from SCDI. Funding in the amount of \$3,212,000 was included in the Department's 2004-05 Budget for the AIF Program. The remaining balance of \$1,916,995 will be carried over and included in the 2005-06 budget during Final Changes.

In January 2005, the Department was notified that SCDI awarded an additional \$1,916,995 to the AIF Program for the 2004-05 fiscal year. SCDI has been informed that the Department will not be able to spend the entire grant award in the 2004-05 fiscal year and has authorized the Department to carryover any unspent grant award balance.

The AIF Program budget for the 2004-05 fiscal year includes a total of 26.5 positions. This reflects an additional 3.5 positions from the 2003-04 budget of 23 positions, however, the additional positions will not be filled until FY 2005-06. The additional positions will be filled by staff from grant programs that have been reduced in funding or that have ended.

If funding for this program were terminated, an evaluation would be conducted to determine whether the program would either be continued with costs absorbed by the department, or discontinued with the reallocation of staff to vacant budgeted positions.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

Pursuant to the provisions of Section 1872.8 of the California Insurance Code, the State Department of Insurance is authorized to award and distribute certain funds to district attorneys submitting plans approved by the Bureau of Fraudulent Claims for the increased investigation and prosecution of fraudulent automobile insurance claims.

The District Attorney's caseload for this program is generated from both the private and public sectors. Referrals are also directly received through an intake process: letters, telephone calls and meetings with members of the public, private sector, and law enforcement. Once a case is received from law enforcement agencies, a prosecutor is assigned to coordinate further investigation and prosecution. Referrals from other sources are assigned to a District Attorney Investigator (DAI). As needed, Deputy District Attorneys are assigned to assist DAI's with ongoing investigations. All available laws are utilized to combat significant targets such as attorneys, doctors and management companies involved in organized efforts to create fraudulent auto insurance claims.

In addition, the District Attorney's Office continues to assume a prominent role in the drafting and analysis of proposed legislation to clarify existing laws, increase penalties for crimes relating to insurance fraud and to expand the criminal liability of those committing insurance fraud. The Department also employs the latest technology to fight fraud, including state of the art surveillance equipment, extensive computer support for staff, and access to numerous nationwide sources of information.

In FY 2003-04, there were 49 investigations initiated. This is a slight decrease of 9% from the previous year's number of 54. There was a 9.6% decrease in the number of defendants charged from 52 to 47, and 91 arrests were made which is a 15% decrease from 107. However, the number of defendants convicted increased by 6% from 79 to 84. The estimated AIF Program goals for FY 2004-05 include the initiation of 20 to 50 new investigations and 50 to 80 new prosecutions.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

Pursuant to your Board's motion of December 15, 1998, the Alternate Public Defender, Public Defender, Probation and Sheriff's Departments have been notified of this request.

The Probation and Sheriff Departments determined that this action would not impact their current operations. The Alternate Public Defender stated that there would be an impact on their workload, but it would be managed with existing resources. The Public Defender also stated that there would be an impact on their workload, but without knowing the number of additional cases to be filed they are unable to measure the impact at this time.

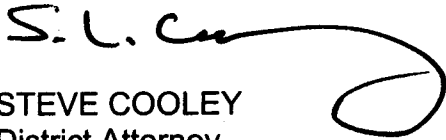
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CONCLUSION

Acceptance of continuing grant funds is strongly recommended.

Following Board approval on this program, the Executive Officer-Clerk of the Board is requested to return a copy of the adopted Board letter and two (2) copies of the executed Resolution, containing original signatures, to Emily Aidells, Contracts and Grants Unit, Los Angeles County District Attorney's Office, 201 North Figueroa Street, Suite 1300, Los Angeles, California 90012. Any questions may be directed to Ms. Aidells at (213) 202-7674.

Very truly yours,


STEVE COOLEY
District Attorney

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Enclosures

c: Chief Administrative Officer
County Counsel

**Los Angeles County Chief Administrative Office
Grant Management Statement for Grants Exceeding \$100,000**

Department: District Attorney

Grant Project Title and Description

Auto Insurance Fraud Program

The focus of this program is to enhance prosecutorial efforts and criminal investigations of automobile insurance fraud activity in Los Angeles County. These grant funds will allow the District Attorney's Office to continue its collaborative efforts with the State of California, Department of Insurance (SCDI) to investigate and prosecute unscrupulous doctors, chiropractors, and lawyers engaged in automobile insurance fraud.

Funding Agency
California Department of Insurance

Program (Fed. Grant # /State Bill or Code #)
California Insurance Code Section 1872.8

Grant Acceptance Deadline

Total Amount of Grant Funding: \$5,128,995

County Match: \$0

Grant Period: FY2004-2005 **Begin Date:** July 1, 2004

End Date: June 30, 2005

Number of Personnel Hired Under This Grant: 26.5

Full Time: 26.5 **Part Time:** 0

Obligations Imposed on the County When the Grant Expires

Will all personnel hired for this program be informed this is a grant-funded program? Yes ☒ No ☐

Will all personnel hired for this program be placed on temporary ("N") items? Yes ☒ No ☐

Is the County obligated to continue this program after the grant expires? Yes ☐ No ☒

If the County is not obligated to continue this program after the grant expires, the Department will:

a). Absorb the program cost without reducing other services Yes ☐ No ☒

b). Identify other revenue sources Yes ☐ No ☒
(Describe) _____

c). Eliminate or reduce, as appropriate, positions/program costs funded by the grant. Yes ☒ No ☐

Impact of additional personnel on existing space: None

Other requirements not mentioned above: None

Department Head Signature _____

S.L. Carr

Date _____

4/14/05

1 **BOARD OF SUPERVISORS**
2 **COUNTY OF LOS ANGELES**

3 **RESOLUTION**

4 Authorization to Accept a Grant Award from the

5 State of California, Department of Insurance

6 Pursuant to California Insurance Code

7 Chapter 12 commencing with Section 1871, et seq.

8 **WHEREAS**, the provisions of Section 1872.8 of the California
9 Insurance Code authorize the State Department of Insurance to award and
10 distribute certain funds to district attorneys submitting plans approved by the
11 Bureau of Fraudulent Claims for the increased investigation and prosecution
12 of fraudulent automobile claims; and the District Attorney is charged with
13 providing prosecution of all felony offenses committed within this County;
14 and

15 **WHEREAS**, the Board of Supervisors of Los Angeles County
16 recognizes that between 25-50 percent of every automobile insurance dollar
17 collected from County citizens is spent for the payment of fraudulent claims,
18 annually amounting to hundreds of millions of dollars; and

19 **WHEREAS**, the County of Los Angeles, acting through its Board
20 of Supervisors, desires to combat automobile insurance fraud by undertaking
21 a certain project designated the "Automobile Insurance Fraud Program" by
22 the District Attorney to be funded through funds made available by the
23 Insurance Fraud Prevention Act as provided for pursuant to California
24 Insurance Code 1872.8, administered by the California Department of
Insurance; and

25 **WHEREAS**, the State of California Department of Insurance approved
26 the fraud reduction plan submitted by the Los Angeles County District Attorney's

1 Office for Fiscal Year 2004-2005 for the Automobile Insurance Fraud Program for
2 this specific task;

3 **NOW, THEREFORE, BE IT RESOLVED** that the Board of Supervisors
4 of the County of Los Angeles hereby authorizes and approves acceptance of grant
5 funds from the State of California, Department of Insurance, to be used
6 exclusively for the program designated the "Automobile Insurance Fraud Program"
7 for the period covering July 1, 2004 to June 30, 2005;

8 **BE IT FURTHER RESOLVED** that the County of Los Angeles
9 hereby authorizes the District Attorney, or his designee, to serve as Project
10 Director and to perform all further tasks necessary for the completion of the
11 project, including any extensions, execution and submission of amendments,
12 progress reports, and payment requests relating to the Grant Award
13 Agreement;

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1 **I DO HEREBY CERTIFY** that at a regular meeting of the Board of
2 Supervisors of the County of Los Angeles, on the _____ day of
3 _____, 2005, the forgoing Resolution was adopted.

4 **IN WITNESS WHEREOF**, I have hereunto set my hand and
5 affixed the seal of the Board of Supervisors of the County of Los Angeles
6 this _____ day of _____, 2005.

7
8 VIOLET VARONA-LUKENS,
9 Executive Officer- Clerk of the
10 Board of Supervisors of the
County of Los Angeles

11 By _____
Deputy

12 **APPROVED AS TO FORM**
13 **BY COUNTY COUNSEL:**

14 By  _____
15 Deputy